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SUBJECT: Argentina: No Movement on Bilat Trade Issues, or Doha

SUMMARY

¶1. (SBU) In a September 4 meeting with visiting Codel, Argentine Foreign Minister Taiana and other Foreign Ministry officials protested the lack of U.S. market access for Argentine lemons and beef, but had no response to Codel requests for Argentina to allow imports of U.S. beef and poultry. Codel members expressed hope that Argentine decisions would be made on scientific, not political, grounds, and that progress by the U.S. on the Argentine concerns would be met with reciprocal GoA progress on U.S. concerns. On the WTO Doha Round, both sides were pessimistic about reaching a final deal in the short term, but Codel members played down GoA concerns that a final Doha deal would conflict with the current Farm Bill on subsidies for U.S. producers. Participants discussed potential future bilateral cooperation on biofuels and concern over Bolivia possibly allowing Iran to found a TV station. End Summary.

¶2. (U) USG participants were Representatives Collin Peterson, (D-MN and Chair of House Committee on Agriculture), Ben Chandler (D-KY), Marion Berry (D-AR), Jerry Weller (R-IL), Ambassador Wayne, Agricultural Counselor, and Trade Officer (Notetaker). GoA participants were Foreign Minister Jorge Taiana, Vice Foreign Minister Victorio Taccetti, Secretary of Trade Alfredo Chiaradia, National Director of International Economic Relations Nestor Stancanelli, Ambassador to the U.S. Hector Timerman, and Alejandro Casiro and Antonio Trombetta, Directors of North American Economic and Political Affairs, respectively.

Bilateral Trade: Beefs about Beef, Lemons, Poultry

¶3. (SBU) Minister Taiana, after a brief discussion of the Codel's itinerary and an exchange about the common ground our countries share, noted Argentina's bilateral trade deficit with the U.S., and that it was one of few bilat trade deficits Argentina currently faces. However, he stated this was "not a problem for us," as it gives Argentina an incentive to do better. Upon hearing that the Codel's next meeting was with the Governor of Tucuman, Taiana noted that lemons was a very important issue to that small province (Note: U.S. imports of fresh Argentine lemons are currently blocked, and there is an active U.S. anti-dumping investigation on Argentine lemon juice). Trade Secretary Chiaradia argued that there is "no technical reason for lemons not to enter U.S. market, or beef from Patagonia." Rep. Peterson countered by expressing concern with Argentine restrictions on imports of beef and poultry. On lemons, he noted that USDA had attempted to resolve the issue but was held back by a court case. He warned the Argentines that California lemon growers may file a new case on different grounds seeking to block renewed imports and suggested that Argentina work through its Embassy to meet with the California growers. However, he added the U.S. is "committed to following scientific" determinations, and expressed hope that the Argentines would do the same. Rep. Weller regretted the lack of bilat trade agreement between our countries,

and noted that while some Members of Congress are receptive to Argentine lemon imports, they want some kind of reciprocity. As the U.S. moves towards allowing imports of Argentine lemons, he noted that the U.S. will expect movement from Argentina on allowing imports of U.S. beef and poultry.

Doha: Some Common Ground, Farm Bill not the Problem

¶4. (SBU) Chiaradia raised the WTO Doha Round, noting active GoA participation in the process, and stated the GoA was "concerned about the quality of the package presented there." However, he also noted that, except for the issues of agricultural subsidies and industrial tariffs, the GoA shares most of the goals of the USG - such as more open agricultural markets around the world, and increased services trade. He described the Round as "not very alive" at the moment, and said he thinks WTO Secretary General Lamy and Brazilian FonMin Amorim are too optimistic if they believe it will be resolved during September talks in Geneva. Peterson expressed similar doubts, which the other Members echoed. Chiaradia also opined that a Doha end result might conflict with current U.S. laws, clearly implying the Farm Bill. Peterson disagreed that there would be such a conflict: "If prices fell that far (such that low prices forced total subsidies for U.S. growers higher than caps being discussed in Doha negotiations), our producers would be out of business - and so would yours." He stated that the U.S. agricultural sector doesn't see this as a good agreement, largely for lack of market opening by Japan, the EU and even Brazil. He added that "I think it would be very hard to pass" in Congress, but "if we have to make decisions, we'll make them at the time." Chiaradia echoed the concerns about market access in those countries, and then asked if cotton subsidies would be a conflict, noting the proposal in the most recent draft for 82% cuts in U.S. cotton subsidies. Rep. Berry stated, "Our cotton producers are in trouble right now," and said he has been telling his constituents not to expect a new Farm Bill when the current one expires in five years.

Biofuels - Potential for Cooperation?

¶5. (SBU) Taiana cited biofuels as an area of potential mutual benefit. Peterson noted unhappiness in Europe with the U.S. "splash and dash" program (where biodiesel is imported from Argentina and other countries, mixed with a small amount of U.S. biodiesel and re-exported to the EU with a U.S. subsidy of \$1 per gallon), plus that it's costing U.S. taxpayers. He said Congress was trying to fix the loophole, but that doing so could reduce imports of Argentine biodiesel, because it might remove the incentive to use imported biodiesel rather than domestic. He noted his long personal history of trying to advance biofuels usage, opposition to the same by large oil companies, and expressed his hopes for the biodiesel industry to move away from food crops to other plants, which would probably take at least five years. Weller suggested more parliamentary exchanges on topics such as biodiesel. Ambassador Wayne cited existing U.S./Argentine province/state relationships, and suggested exploring more, perhaps with Minnesota on biofuels.

¶6. (SBU) Weller noted that Argentina had been the victim of Iranian terrorist activity (referring to the 1994 bombing of the Jewish-Argentine Friendship Center (AMIA) which killed 85 persons, and for which international arrest warrants have been issued for five current and former Iranian government officials and one Lebanese Hizballah leader), and encouraged Taiana and his colleagues to advocate against Bolivia allowing Iran to create a TV station in Bolivia. He argued that this "could poison the minds of a lot of people," especially since he understands the intent is to broadcast throughout South America.

Comment

¶7. (SBU) The Argentine government has placed a high priority on gaining market access to the U.S. for fresh lemons and beef. Argentina is the largest lemon exporter in the world and views

additional access for lemons as a way to create employment in a poor region of the country. The issue of beef is more symbolic (particularly for the Patagonia region), since Argentina currently limits beef exports. The Foreign Ministry gave no indication that decisions to allow imports of U.S. agricultural products were forthcoming, and their non-verbal responses reinforced that message: while Weller's concern about the Iranian TV station was met with nods and verbal affirmation, Peterson's expression of hope for agricultural trade decisions to be made scientifically was met by silence. Given the political pressures the GoA currently faces over increased imports (see reftel for private sector demands about increased imports from China and GoA response in 2007), it seems unlikely that the GoA will open its markets unilaterally, no matter how well justified the move may be on scientific grounds. However, a U.S. market opening would provide political cover for the GoA to allow additional market access, albeit limited, for some U.S. agricultural goods.

WAYNE